



Zacchaeus 2000 Trust (Z2K) is a London-wide anti-poverty charity supporting vulnerable debtors, including those experiencing financial hardship as a result of the Government's cuts to Social Security benefits. In response to the cuts to Local Housing Allowance (LHA) and the Household Benefit Cap, Z2K set up *NextDoor*; a dedicated project working to raise awareness of the impact of welfare reform on the Private Rented Sector (PRS) in London and offering a specialist advice service aimed at households threatened with homelessness as a result of cuts to their housing benefit.

Introduction

London has been stuck in a housing crisis for a generation or more. Of course, some well-healed commentators deny the crisis exists. And until fairly recently most others chose to ignore it. But today that crisis is really undeniable. Its impact is felt not only by those suffering at its sharp end, it is felt too by the young professionals paying out half of their income or more to rent a room in the private rented sector and the working families who can't get their foot on the property ladder. If anything, these trends seem set to get worse not better in the years ahead.

Z2K's advice team see hundreds of those experiencing the most acute housing problems every year. Many are homeless. Others are overcrowded or living in poor quality and even outright dangerous conditions. Most are struggling to pay the rent from their very limited incomes. Very few of these clients will realise the dream of the decent, secure and affordable home they need and deserve. Our submission focusses on the reasons for the failure to provide sufficient genuinely affordable housing and what needs to be done to reverse this trend.

While we would accept the general premise that there will always be more demand for affordable housing in London than there are homes to meet that demand, it is clear that the policies pursued by central Government since 1979 have made this crisis much worse than it would otherwise have been. In particular, the forced sale of local authority-owned housing through the Right to Buy and the *de facto* prohibition on new council housebuilding have been absolutely disastrous. More recently, the Coalition Government's cuts both to investment in new social housing and the Housing Benefit available to help those on low incomes living in the private rented sector have reversed the limited progress made by its predecessor and the Mayor of London between 2007 and 2010.

The new Conservative Government is not only further reducing funding for housing associations and local authorities, it is fundamentally shifting the focus of any public subsidy even further towards home ownership. Worse still, it is forcing housing associations to offer their own tenants the Right to Buy, funded by a "fire sale" of local authority homes that become vacant. And last week, the Prime Minister announced that developers would be allowed to insist that any affordable homes included within applications could be "Starter Homes" for sale at a discounted price, rather than the rented ones that many London boroughs secure at the moment.

Z2K cannot conceive of a set of policies better designed to make London's housing crisis even worse than it is already. This commission is therefore very timely. Our submission outlines the problems our clients face and the solutions needed.

Homelessness

Homelessness is usually assessed through both the number of those sleeping rough on the streets of London and those families and vulnerable single people to whom local authorities have accepted a duty as being in priority need. The number of rough sleepers grew in the 1980s, began to fall in the 1990s and early 2000s as a result of the dedicated efforts to resolve this issue. Despite the current Mayor's promise to end rough sleeping in London entirely by the end of 2012, the number of people found on the Capital's streets was 43 per cent higher in 2011/12 than in 2010/11. It rose by another 13 per cent in 2012/13 to 6,437.¹ Agencies report the figure was 7,581 in 2014/15.²

The number of homeless households to whom a duty was owed increased significantly between the mid-1990s and 2005. Following the expansion of homeless "prevention" approaches after 2005, the number of acceptances in London more than halved and has stayed at around these levels. In contrast, the number of statutorily homeless households placed in temporary accommodation by their borough grew rapidly in the first half of the 2000s, reaching a peak of 63,800 in London in late-2005. Following concerted action, that number fell to 36,020 in 2010, but has now risen back to 49,630 in the most recent quarterly statistics – 37 per cent higher.

We estimate that these families include around 75,000 children. Research carried out by Shelter in 2004 showed the devastating impact on children's health, education and well-being of extended periods in temporary accommodation.³ Over half the homeless families Shelter interviewed reported that their children's health had suffered since being put into temporary accommodation and on average the children in those families had missed 55 school days as a result of the disruption caused by moves into and between temporary accommodation. Two-thirds of respondents said their children had problems at school, and more than half described their children as "often unhappy or depressed".

An even more acute problem is the number of homeless families in Bed and Breakfast (B&B) accommodation. This practice was outlawed in 2003 for anything longer than six weeks as the kind of B&Bs used are completely unsuitable places for children. By 2010, the number in B&B beyond this legal limit had reduced to just 70 families nationwide. The most recent statistics show that 2,660 homeless families were placed in B&B across in England at the end of June, of whom 830 had been there longer than six weeks.⁴ This figure is 36 per cent higher than it was in June 2014. Hundreds more are in B&B "annexes", which while not illegal are usually just as bad. Despite repeated warnings by the Local Government Ombudsman, many London boroughs continue to flout the law and neither Government ministers nor the Mayor of London do anything about it.

While Z2K believes that boroughs themselves are responsible for these breaches of the law, it is only fair to acknowledge that the Government's freeze Housing Benefit subsidy for temporary accommodation at 90 per cent of the 2011 rate of Local Housing Allowance plus £40 is one of the main factors behind the difficulties they are having in finding self-contained properties for homeless families. Put simply, private landlords in many boroughs can now make much more from letting a family-sized home to young professionals than leasing it to the local authorities. As a consequence, some boroughs are now having to use Homeless Prevention Grant funding to offer landlords regular "sweeteners" equivalent to two or three months' rent, to retain the use of their properties.⁵

¹ http://www.broadwaylondon.org/CHAIN/Reports/S2h2013/Street-to-Home-bulletin-2012_13.pdf

² <http://data.london.gov.uk/dataset/chain-reports/resource/dd12fe65-0a44-465d-96e6-5339fc5c505d>

³ http://england.shelter.org.uk/_data/assets/pdf_file/0012/40116/Living_in_Limbo.pdf

⁴ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/463017/201506_Statutory_Homelessness.pdf

⁵ <http://www.insidehousing.co.uk/councils-spend-18m-on-sweeteners-for-private-landlords/7009703.article>

Overcrowding

Overcrowding is on the rise again in London. The most recent estimate is that 224,000 households live in overcrowded accommodation in the Capital, an increase of 65,000 in the past decade. There are 102,000 overcrowded households in social housing in London, 11,000 of whom are severely overcrowded. The English Housing Survey figures shows that this means 391,000 children in London are overcrowded – up 18 per cent since 2008. In total, 24 per cent of London’s children are growing up in overcrowded homes. According to the Census, the boroughs with the highest proportion of households in social housing (council and housing association) affected are:⁶

	All households (council)	Number of households with more than 1 person per	% of total households with more than 1 person per	Number of households with more than 1.5 persons per room	% of total households with more than 1.5 persons per room
Brent	23,880	2,767	11.59%	1,248	5.23%
Ealing	22,275	2,437	10.94%	949	4.26%
Hackney	43,669	5,239	12.00%	2,235	5.12%
Haringey	27,891	3,018	10.82%	1,353	4.85%
Kensington & Chelsea	20,562	2,193	10.67%	1,002	4.87%
Newham	33,505	4,331	12.93%	1,911	5.70%
Southwark	56,637	6,247	11.03%	2,873	5.07%
Tower Hamlets	41,237	7,557	18.33%	3,474	8.42%

Independent research shows that growing up in overcrowded conditions can have a serious impact on the health, well-being and educational prospects of children. It can make it difficult to find a quiet space to study and infectious diseases spread more readily in overcrowded conditions. Overcrowding is especially difficult for teenage girls sharing bedrooms with their brothers, and the stress caused within such environments often impacts adversely on parents. Many children do well in school despite their housing. But for others, poor conditions and overcrowding in particular can drag down their results. Frequent illnesses lead to missed days in school. And it can be extremely difficult for children in an overcrowded family to find the quiet space needed to study at home.

It is now five years since the Mayor of London published his action plan to tackle overcrowding in social housing.⁷ While the strategy noted the increases in the supply of new social housing following the 2007 Spending Review and re-committed the Mayor to his predecessor’s target of 42 per cent of new social housing should be of three or more bedrooms, it focussed on tackling under-occupation as the key means of reducing overcrowding. Its central target was that there should be

“No more than 5,500 severely overcrowded households in social housing in London by 31 December 2016.”

There is no official estimate of the numbers of children who would benefit, but a target of 5,500 households probably represents fewer than 10 per cent of the 391,000 overcrowded children in London. Despite this promise, the number of severely overcrowded households actually appears to have risen. In the draft version of his Revised London Housing Strategy published in August 2011, the Mayor’s proposes that the *“level of severe overcrowding in social housing is halved to 7,000”*. In the final version of the Revised London Housing Strategy published in March 2012, no figure is mentioned. This absence was repeated in the most recent version of the strategy.

⁶ https://www.london.gov.uk/sites/default/files/archives/Overcrowding_Action_Plan.pdf

⁷ Overcrowding in Social Housing : A London Action Plan (GLA, 2010)

Private Rented Sector

In London, eviction from a private rented sector (PRS) tenancy is now the largest single cause of homelessness – 39 per cent (in 2010 was 11 per cent). Given the growing use of the PRS to prevent homelessness and accommodate those on low incomes, and the huge sums of public money going to private landlords through Housing Benefit, Z2K believes that a much more determined effort needs to be made to ensure households in the PRS avoid the revolving door of homelessness. We also believe that regulation is needed to raise physical and management standards in the sector, and to bring down rents to more affordable levels. The caps on Housing Benefit must also be lifted.

Rent levels reflect the housing market and overvalued housing stock. As a result of the imbalance in supply and demand, the cost of private renting has increased consistently since 2009, hence the increase in Housing Benefit. The English Housing Survey 2010/11 found that tenants in the PRS paid an average of £160 per week – double that of tenants in the social sector. The most recent analysis shows that rents in London rose by 7.9 per cent in 2012/13 and a further 7.8 per cent in 2014/15 - taking them to an average of £1,204 per month.⁸

Since they began in January 2011, the LHA reforms, including moving the basis for setting rates down to the 30th percentile, the property size rate caps, extending of Shared Accommodation Rate (SAR) to 25 – 34 year olds, and the move to uprating by CPI and then 1 per cent, have severely limited the ability of LHA claimants to access affordable accommodation, particularly in inner London. Although the transitional protection for some existing claimants and the use of Discretionary Housing Payments (DHPs), means we haven't yet got a complete picture of the impact, there is growing evidence of people moving out of inner London as a result of the LHA caps.

London Councils has shown the number of LHA claimants in inner London numbers fell by just over 1,500 households, or 2 per cent, between Jan 2012 and Jan 2013. At the same time the number of claimants in outer London increased by 11,000, a 9 per cent rise.⁹ These figures mask significant variation. For example, the number of LHA claimants in Westminster has fallen by 36 per cent from 5,947 in January 2012 to 3,836 in June 2013. The biggest decline was the 11 per cent drop in 25-34 year-olds claiming LHA in inner London, reflecting the extension of the SAR to this age bracket.

While the DWP's own research concludes that the *"early effects of LHA reforms had been fairly limited in terms of displacement, additional evictions or more cases of homelessness"*, it acknowledges that the *"on-flows of LHA claimants at LA level since the reforms have reduced most sharply in the London central areas, reflecting the wider gap between average rents and LHA rates in these boroughs"*, and notes that *"The transitional measures, such as DHPs appear to have temporarily blunted the impacts in London."*¹⁰

Because LHA rates were frozen in March 2012 and uprated only by CPI in 2013/14 they are already below the 30th percentile, and falling with each month, making an ever decreasing pool of properties affordable for claimants. This was demonstrated by Hackney CAB, who conducted a mystery shopping exercise of 1,585 PRS properties available on 15 June 2012.¹¹ It found that only 142 (9 per cent) of these 1,585 properties fell within the new LHA rates. This is even worse for the SAR. A report by Homeless Link found 5.5 per cent of properties in their London-wide sample were affordable.¹² The Welfare Reform & Work Bill freezes LHA rates for a further four years.

⁸ http://www.lslps.co.uk/documents/buy_to_let_index_apr15.pdf

⁹ *The Impact of Housing Benefit Reform in London*, London Councils

¹⁰ *Monitoring the Impact of Changes to the LHA System of Housing Benefit*, DWP (May 2013)

¹¹ [No DSS: Locked out of the private rented sector in Hackney](#)

¹² [Nowhere to Move: Is Renting on the SAR in London Affordable](#)

New Affordable Homes

The previous Mayor's London Plan set a target of 30,000 new homes a year, of which 50 per cent were to be affordable (35 per cent social rented homes and 15 per cent shared ownership.)¹³ While neither of these targets was met during Ken Livingstone's term as Mayor, thanks to the significant additional public funding made available in the 2007 Comprehensive Spending Review, the number of new affordable homes completed grew rapidly after he left office and did exceed the target in 2011/12. A full breakdown is set out in Table 1¹⁴

	Affordable Rent	Social Rent	Intermediate Rent	Affordable Home Ownership	Total
2008/09		6,100	470	4,967	11,537
2009/10		6,992	743	4,867	12,602
2010/11		8,557	1,254	3,058	12,869
2011/12	131	10,880	787	4,375	16,173
2012/13	277	4,785	343	2,709	8,114
2013/14	2,214	3,284	435	2,776	8,709
2014/15	9,583	3,053	15	5,263	17,914

The current Mayor's most recent London Housing Strategy today aims for 42,000 new homes to be delivered each year. However, only 17,000 (40 per cent) of those are supposed to be affordable, and most of those will actually be much less affordable, either at rents of more than £200 a week or a purchasing price of more than £250,000. Of even greater concern, is the fact that thousands of housing association properties previously let at social rents have been "converted" into Affordable Rents – usually around 50 per cent higher than previously charged. While the policy of reducing the level of grant available per unit was driven by the Coalition Government, the Mayor of London failed to mitigate its impact in London, for example allowing 80 per cent of market rents in some boroughs.

The issue of rent levels is not an abstract one. It means that some working households cannot afford to move into them at all, while some of those that do, end up experiencing financial hardship as a consequence. Households in receipt of Housing Benefit would previously have been cushioned against the impact of these higher rents, but the lower £440 a week family Benefit Cap in London now being introduced by the Welfare Reform & Work Bill means that many of these tenants will end up with a shortfall that they will have to meet out of income previously used to pay for food, clothing or utility bills. A number of boroughs and housing associations report particular delays in letting Affordable Rent properties.

In 2009, the-then Housing Minister, John Healey MP, allowed local authorities to bid for Social Housing Grant for the first time. Several hundred new council homes were built across London as a result. More importantly, he began consulting on plans to end the centrally-controlled Housing Revenue Account subsidy system and partially restore the freedom for local authorities to borrow against their value of their remaining council housing assets. A version of this proposal was eventually put into effect by the Coalition Government, but lingering restrictions have limited the number of new council homes that have been built in London so far. The boroughs have tended so far to fund the new homes they are building through grant and Right to Buy receipts

¹³ The London Plan - Spatial Development Strategy (GLA, 2004)

¹⁴ <https://www.london.gov.uk/priorities/housing-land/increasing-housing-supply/gla-affordable-housing-statistics>

Conclusion - The Solutions

Z2K would propose solution in five key policy areas to address the chronic shortage of social housing and the diminishing affordability of the private rented sector in many parts of London.

Investment

In Z2K's view, it is not possible to meaningfully tackle London's housing crisis without accepting that this requires a significant increase in public investment. Those who pretend otherwise are either fooling themselves or misleading the public. As the output figures in Table 1 show, the extra investment made available after 2004 and particularly after 2007 delivered a demonstrable increase in the number of new social homes built. An essential first step in tackling the crisis is therefore to restore Government funding to the level inherited by the Coalition Government in 2010 – an average of around £2.8 million a year in the 2008-11 National Affordable Housing Programme.

Housing Revenue Account

At the same time, Z2K also believes that the remaining restrictions on the HRA self-financing regime should be lifted as a matter of urgency, enabling London's boroughs to fully realise their borrowing capacity against the value of their existing stock. Several boroughs are now embarked on ambitious council housebuilding programmes, but these are currently being cross-subsidised by the inclusion of significant numbers of shared ownership units or even homes for sale on the open market. It has been estimated that, nationwide, such a move could result in an additional 60,000 new council homes being built nationally over a four or five year period.¹⁵

Right to Buy

Of course, such a progressive shift in policy will do little to benefit future generations of Londoners if existing council homes are sold off at the current rate and housing associations are also forced to introduce the Right to Buy for their tenants too. While we appreciate that the recent "deal" between the Government and the National Housing Federation makes it difficult to challenge this policy, the forced sale of council homes needed to fund it will have even more serious implications, and so we hope that the Commission will make reference to the impact of this poisonous cocktail of policies in its eventual report.

Private Rented Sector

Z2K believes that fundamental change is needed in the private rented sector, both to make it more affordable to tenants and to reduce its adverse impact on house prices overall. For the past 25 years, governments of all political complexions have set their face against rent controls. It is clear, however, that in a situation where the supply of housing has not kept pace with demand for a generation or more, excessive and unaffordable rent increases can only be prevented by government intervention. Rent increases should be limited to the average increases in annual earnings, except in those cases where significant improvements have been made to the condition of a property.

Welfare Reform

Finally, we hope also that the Commission will join Z2K and others in making it clear that the freeze to the Local Housing Allowance rates of Housing Benefit and the overall Household Benefit Cap will make London's housing crisis even worse. We would also welcome a recommendation that the Housing Benefit subsidy regime for temporary accommodation should be uprated to give local authorities a better chance of procuring self-contained properties and reduce the reliance on B&B, and the incidence of homeless families being placed there longer than six weeks.

¹⁵ Treating Council Housing Fairly – John Perry (National Federation of ALMOs, 2013)